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OFFICE OF THE STATE AUDITOR OF MISSOURI

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1991 ANNUAL REPORT



MARGARET KELLY, C.P.A.
STATE AUDITOR

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

The People of Missouri
Governor John Ashcroft
The Missouri General Assembly

Citizens of Missouri:

Pursuant to the provisions of the Constitution of the State of Missouri, Article IV, Section 13, I am pleased to present to you the 1991 Annual Report for the Office of State Auditor.

Contained within this report are some of the highlights of the more than 1,400 findings contained in the 180 reports issued by my office during calendar year 1991.

Findings included in this report note areas where taxpayers' money could have been saved, earned or made available for use. These examples total more than \$3.1 million. Other examples note instances where \$11.4 million of public moneys were improperly spent. Also included are examples of findings of non-compliance with state laws and regulations, as well as poor accounting procedures and controls. In addition, audits issued last year by my office identified more than \$280,000 in taxpayer moneys that were misappropriated through criminal acts of fraud.

The holding of a public trust and the handling of public moneys demands no less than full accountability by governmental officials. My commitment, and that of my office, is to help ensure Missourians that their tax moneys are used legally and efficiently.

I am pleased to note that the 180 reports delivered in 1991 set a new all-time high for audits delivered in a single year. The State Auditor's Office is always working to find ways to streamline our processes and better serve the taxpayers.

On behalf of my staff and myself, I express appreciation to the great majority of state and local officials who have worked with the state auditor's office in taking a business management approach to government operations in Missouri.

Sincerely,

A handwritten signature in cursive script that reads "Margaret Kelly".

Margaret Kelly, CPA
State Auditor

Missouri State Auditor's Office

1991 Annual Report

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Executive Summary

The Office of Missouri State Auditor was created in 1820 when the state of Missouri was organized. The office derives its powers from Article IV, Section 13 of the Missouri Constitution and its legal duties are detailed in Chapter 29 of the Revised Statutes of the State of Missouri (RSMo).

The state auditor is responsible for conducting audits of all state agencies, boards and commissions, the state court system and the 94 Missouri counties that do not have a county auditor. Audit reports issued by the state auditor are intended to provide state and county officials with findings and recommendations to improve the effectiveness and efficiency of governmental operations.

During 1991, the state auditor's office issued 180 audit reports, the most ever issued in one year in the history of the office. These reports contained 1,471 separate findings and recommendations.

Audits of state agencies included findings noting instances where state funds were expended without proper bidding, proper authorization or complying with applicable regulations. This annual report includes examples of those instances. Other examples identify areas in which the state could take steps to save money.

Last year 13 audits included findings of fraud. Criminal charges and convictions resulted from the work of the state auditor's office. It is the policy of the state auditor to work with local law enforcement authorities whenever information of potential criminal wrongdoing is uncovered during audit work.

In 1991, 28 audits were issued as a result of citizens petitioning the state auditor. School districts, cities, villages, a drainage district and a fire protection district were among the political subdivisions receiving petition audits.

In addition to conducting audits, the state auditor also is responsible for reviewing the property tax rates levied by political subdivisions each year. The review is mandated to determine if local tax rates comply with statutory and constitutional provisions that regulate taxation in Missouri. In 1991, the state auditor's office reviewed 4,807 property tax rates levied by 2,618 political subdivisions.

During 1991, the state auditor's office continued its commitment to professionalism in the field of governmental accounting. The 109-member audit staff includes 71 certified public accountants (CPAs). The office encourages participation in professional development programs, and the Office of Missouri State Auditor is recognized as a CPA firm by the State Board of Accountancy.

Audit Reports Delivered

JANUARY 1, 1991 THROUGH DECEMBER 31, 1991

REPORT NUMBER	AUDITEE	AUDIT PERIOD	DELIVERED
91-01	Review of Hancock Amendment	07-01-89/06-30-90	01/03/91
91-02	Fairfax Drainage District	01-01-89/12-31-89	01/10/91
91-03	Wayne County	01-01-86/12-31-89	01/15/91
91-04	Pulaski County	01-01-87/12-31-89	01/16/91
91-05	DED-Mo. Veterinary Medical Board	07-01-86/06-30-90	01/17/91
91-06	Kansas City Bd. of Police Commissioners	05-01-87/04-30-89	01/22/91
91-07	City of Bunker	01-01-89/12-31-89	01/28/91
91-08	Kansas City Desegregation	07-01-88/06-30-89	01/30/91
91-09	Dept. of Elementary and Secondary Ed.	07-01-86/06-30-89	01/31/91
91-10	Christian County	01-01-87/12-31-89	01/31/91
91-11	Montgomery County	01-01-87/12-31-89	01/31/91
91-12	Cedar County	01-01-87/12-31-89	01/31/91
91-13	24th Judicial - City of Esther	07-01-86/06-30-90	01/31/91
91-14	24th Judicial Circuit-Municipal Divs.	1987-1989	02/04/91
91-15	Bollinger County Sheriff's Office	01-01-87/07-31-90	02/05/91
91-16	State Lottery Commission	07-01-87/06-30-89	02/05/91
91-17a	Statewide Financial Statements-MAR	07-01-89/06-30-90	02/07/91
91-17b	Statewide Financial Statements-General	07-01-89/06-30-90	02/07/91
91-18	DED-DPR Hearing Aid Dealers and Fitters	07-01-86/06-30-90	02/08/91
91-19	DED-DPR Board of Pharmacy	07-01-86/06-30-90	02/08/91
91-20	DED-DPR State Board of Nursing	07-01-86/06-30-90	02/08/91
91-21	City of Memphis	09-01-89/08-31-90	02/19/91
91-22	Holt County	01-01-87/12-31-89	02/20/91
91-23	DED-State Board of Barber Examiners	07-01-86/06-30-90	02/21/91
91-24	DED-Healing Arts	07-01-86/06-30-90	02/21/91
91-25	Bollinger County	01-01-87/12-31-89	02/22/91
91-26	DED-Dental Board	07-01-86/06-30-90	02/25/91
91-27	DED-State Board of Optometry	07-01-86/06-30-90	02/25/91
91-28	City of Billings	04-01-89/03-31-90	02/26/91
91-29	Special Review of City of California	04-01-87/03-31-90	02/26/91
91-30	Atchison County	01-01-87/12-31-89	02/27/91
91-31	DED-Board of Cosmetology	07-01-86/06-30-90	02/27/91
91-32	Osage County	01-01-87/12-31-89	02/28/91
91-33	DED-Board of Podiatry	07-01-86/06-30-90	02/28/91
91-34	Village of Eolia	04-01-89/04-01-90	03/11/91
91-35	Village of Hillsdale	04-01-89/03-31-90	03/12/91
91-36	Review of Mid-Mo. Council of Govts.	07-01-87/06-30-90	03/13/91
91-37	City of Rocky Ridge	04-01-89/03-31-90	03/14/91
91-38	Pike County	01-01-87/12-31-89	03/15/91
91-39	City of Olympian Village	07-01-89/06-30-90	03/18/91
91-40	St. Louis Co. Fire Protection Districts	01-01-88/12-31-89	03/18/91
91-41	Harrison County	01-01-87/12-31-89	03/18/91
91-42	DED-Board of Athletics	07-01-86/06-30-90	03/18/91
91-43	DED-Real Estate Commission	04-01-86/06-30-90	03/18/91
91-44	Benton County	01-01-87/12-31-89	03/19/91
91-45	Agriculture-State Milk Board	07-01-89/06-30-89	03/19/91
91-46	City of Webster Groves	07-01-89/06-30-90	03/20/91
91-47	Fulton 58 School District	07-01-89/06-30-90	03/21/91
91-48	Office of Governor	07-01-87/06-30-90	03/21/91
91-49	Lincoln County	01-01-87-12-31-89	03/21/91
91-50	DED-Architects, Engineers & Land Surveyors	07-01-86/06-30-90	03/25/91
91-51	Lieutenant Governor	01-09-89/06-30-90	03/25/91
91-52	State Treasurer's Office	07-01-89/06-30-90	03/27/91

91-53	Division of Tourism	07-01-87/06-30-89	03/27/91
91-54	DESE-State School Monies Fund	07-01-89/06-30-90	03/28/91
91-55	DED-State Board of Accountancy	07-01-86/06-30-90	03/28/91
91-56	Missouri Rehabilitation Center	07-01-86/06-30-90	03/29/91
91-57	State Agency for Surplus Property	07-01-87/06-30-90	04/02/91
91-58	Western Missouri Mental Health Center	07-01-86/06-30-90	04/04/91
91-59	Dept. of Corrections and Human Resources	07-01-85/06-30-89	04/08/91
91-60	Lutie R-VI School District	07-01-89/06-30-90	04/11/91
91-61	Department of Economic Development	07-01-86/06-30-89	04/11/91
91-62	City of Windsor	10-01-89/09-30-90	04/15/91
91-63	Carter County	01-01-87/12-31-89	04/15/91
91-64	City of Concordia	04-01-89/03-31-90	04/18/91
91-65	City of Iron Mountain Lake	01-01-90/12-31-90	04/22/91
91-66	Miller County	01-01-87/12-31-89	04/23/91
91-67	Lawrence County	01-01-87/12-31-89	04/24/91
91-68	Department of Conservation	07-01-88/06-30-90	04/25/91
91-69	Livingston County	01-01-87/12-31-89	04/26/91
91-70	8th Judicial Circuit-Municipals	1988-1990	04/29/91
91-71	4th Judicial Circuit-Municipals	1988-1990	04/29/91
91-72	Tax Rate Certification	1990	04/30/91
91-73	City of Bernie	07-01-89/06-30-90	05/02/91
91-74	Review of MO Division of Insurance	1990	05/02/91
91-75	Mississippi County	01-01-87/12-31-89	05/06/91
91-76	Village of Raymondville	01-01-89/12-31-90	05/09/91
91-77	Morgan County	01-01-87/12-31-89	05/13/91
91-78	Ellis Fischel State Cancer Center	07-01-89/10-31-90	05/14/91
91-79	Iron County	01-01-87/12-31-89	05/15/91
91-80	Deferred Compensation Plan	01-01-86/12-31-90	05/16/91
91-81	Village of Breckenridge Hills	07-01-89/06-30-90	05/22/91
91-82	Review of Forms W-2 and Forms 1099	1990	05/23/91
91-83	Butler County	01-01-87/12-31-89	05/28/91
91-84	Monroe County	01-01-87/12-31-89	05/28/91
91-85	MEDEIB	07-01-86/06-30-89	05/28/91
91-86	Pemiscot County	01-01-87/12-31-89	05/29/91
91-87	Reynolds County	01-01-87/12-31-89	05/31/91
91-88	Department of Natural Resources	07-01-87/06-30-89	05/31/91
91-89	Phelps County	01-01-87/12-31-89	06/04/91
91-90	Taney County	01-01-87/12-31-90	06/04/91
91-91	DMH-Southeast Mo. Mental Health Center	07-01-89/06-30-90	06/05/91
91-92	Mo. Horse Racing Commission	07-01-87/06-30-90	06/05/91
91-93	St. Louis Desegregation	07-01-89/06-30-90	06/06/91
91-94	Fifth Judicial Circuit-Buchanan County	01-01-89/12-31-90	06/07/91
91-95	Pettis County Circuit Court	01-01-89/12-31-90	06/10/91
91-96	Holt County Collector	03-01-90/01-31-91	06/11/91
91-97	Board of Fund Commissioners	07-01-87/06-30-91	06/12/91
91-98	Lindbergh School District	07-01-89/06-30-90	06/13/91
91-99	City of Marston	01-01-89/12-31-89	06/17/91
91-100	DMH-Joplin Regional Center	07-01-86/06-30-90	06/18/91
91-101	New Madrid County	01-01-87/12-31-89	06/19/91
91-102	Springfield Regional Center	07-01-87/06-30-90	06/20/91
91-103	Kansas City Desegregation	07-01-89/06-60-90	06/20/91
91-104	29th Judicial Circuit-Jasper County	01-01-86/12-31-90	06/24/91
91-105	DMH-Central Missouri Regional Center	07-01-86/06-30-90	06/25/91
91-106	Division of Professional Registration	07-01-86/06-30-90	06/26/91
91-107	Public Defender Commission	07-01-87/06-30-90	06/27/91
91-108	St. Louis Community College	special review	06/27/91
91-109	City of Niangua	01-01-90/12-31-90	07/08/91
91-110	KAW Fire Protection District	01-01-90/12-31-90	07/10/91
91-111	5th Judicial Circuit-Municipals	01-01-89-12-31-90	07/10/91
91-112	27th Judicial Circuit-Municipals	1988-1990	07/11/91

91-113	Woodson Children's Psychiatric Hospital	07-01-86/06-30-90	07/11/91
91-114	MO State Employees' Retirement System	07-01-86/06-30-90	07/15/91
91-115	Administrative Law Judges	07-01-86/06-30-90	07/16/91
91-116	Mo Hwy & Transportation Employees & Highway Patrol Retirement System	07-01-86/06-30-90	07/18/91
91-117	City of Parma	07-01-89/06-30-90	07/22/91
91-118	Medical Care Plan	07-01-86/06-30-90	07/22/91
91-119	Marion County	01-01-88/12-31-90	07/22/91
91-120	St. Francois County Circuit Court	01-01-86/12-31-90	07/23/91
91-121	42nd Judicial Circuit-Municipals	1988-1990	07/23/91
91-122	16th Judicial Circuit-City of Oak Grove	07-01-88/03-05-91	07/24/91
91-123	Randolph County	01-01-88/12-31-90	07/25/91
91-124	Higginsville Habilitation Center	07-01-86/06-30-90	07/25/91
91-125	Missouri 3rd Class Counties	1987-1990	07/25/91
91-126	Wellston School District	07-01-89/06-30-90	07/29/91
91-127	DMH-Kirksville Regional Center	07-01-86/06-30-90	07/29/91
91-128	23rd Judicial Circuit-Jefferson County	01-01-86/12-31-90	07/30/91
91-129	Secretary of State	07-01-87/06-30-90	07/30/91
91-130	City of Nixa	01-01-90/12-31-90	07/31/91
91-131	DMH-Kansas City Regional Center	07-01-87/06-30-90	07/31/91
91-132	Thirty-First Judicial Circuit-Greene	01-01-86/12-31-90	07/31/91
91-133	Jackson County Circuit Court	01-01-89/12-31-90	08/07/91
91-134	Motor Vehicle & Drivers Lic. Bureau	07-01-87/06-30-90	08/08/91
91-135	Marshall Habilitation Center	07-01-86/06-30-90	08/08/91
91-136	City of New Bloomfield	01-01-90/12-31-90	08/12/91
91-137	31st Judicial Circuit-Municipals	1989-1991	08/13/91
91-138	Mid-Missouri Mental Health Center	07-01-87/06-30-90	08/26/91
91-139	Thirteenth Judicial Circuit-Callaway Co	01-01-89/12-31-90	08/27/91
91-140	Department of Highway and Trans.	07-01-89/06-30-90	09/12/91
91-141	29th Judicial-Municipal	1989-1990	09/13/91
91-142	City of Brookfield	10-01-89/09-30-90	09/16/91
91-143	Caldwell County	01-01-88/12-31-90	09/17/91
91-144	16th Judicial Circuit-Municipal	1988-1990	09/17/91
91-145	Franklin County Circuit Court	01-01-89/12-31-90	09/18/91
91-146	BPB-State Office Buildings	07-01-87/06-30-90	09/18/91
91-147	St. Joseph State Hospital	07-01-86/06-30-90	09/19/91
91-148	St. Louis Board of Police Commissioners	07-01-88/06-30-90	09/25/91
91-149	Thirteenth Judicial Circuit-Boone Co.	01-01-89/12-31-90	10/09/91
91-150	Jackson County Sports Complex Authority	special review	10/11/91
91-151	Jenkins School Dist.	special review	10/11/91
91-152	DMH-Poplar Bluff Regional Center for the Developmentally Disabled	07-01-86/06-30-90	10/18/91
91-153	Committee on Legislative Research	07-01-87/06-30-90	10/24/91
91-154	Office of Administration	07-01-88/06-30-90	10/28/91
91-155	Mo. Office of Prosecution Services	07-01-87/06-30-90	10/28/91
91-156	Higher Ed-Guaranteed Student Loan Fund	07-01-90/06-30-91	10/29/91
91-157	Attorney General	07-01-87/06-30-90	10/30/91
91-158	Vernon County	01-01-88/12-31-90	10/31/91
91-159	Senate	07-01-87/06-30-90	10/31/91
91-160	House of Representatives	07-01-87/06-30-90	10/31/91
91-161	Cole County Circuit Court	01-01-88/12-31-90	11/04/91
91-162	Campaign Finance Review Board	07-01-88/06-30-91	11/07/91
91-163	Howard County	01-01-88/12-31-90	11/14/91
91-164	Madison County	01-01-88/12-31-90	11/14/91
91-165	Review of Hancock Amendment	07-01-90/06-30-91	11/22/91
91-166	Dallas County	01-01-88/12-31-90	11/25/91
91-167	DOR-Division of Administration	07-01-86/06-30-90	11/25/91
91-168	Bosworth R-V School District	07-01-90/06-30-91	11/26/91
91-169	19th Judicial Circuit-Municipal Div.	1989-1991	11/26/91
91-170	DSS-DYS-Review of School Attendance	07-01-88/06-30-91	11/27/91
91-171	City of Arnold	09-01-89/08-31-90	12/16/91

91-172 16th Judicial Circuit-K.C. Municipal	05-01-89/04-30-91	12/17/91
91-173 Scotland County	01-01-88/12-31-90	12/18/91
91-174 DSS-Administration	07-01-89/06-30-91	12/19/91
91-175 Motor Vehicle Commission	07-01-89/06-30-91	12/19/91
91-176 Stone County	01-01-89/12-31-90	12/20/91
91-177 State Treasurer	07-01-90/06-30-91	12/23/91
91-178 Missouri State Highway Patrol	07-01-86/06-30-90	12/23/91
91-179 Department of Health	07-01-89/06-30-91	12/30/91
91-180 Scott County Associate Division Court	01-01-88/10-29-91	12/31/91

CITIZEN INVOLVEMENT

All audit reports produced by the state auditor's office are public documents after they have been signed by the state auditor. Reports are made available to state, regional and local media. Reports are also delivered to the Missouri State Library and are available through the state library system.

Citizens may request copies of any audit reports by writing P.O. Box 869, Jefferson City, MO 65102. The telephone number is (314) 751-4213.

Information from citizens, legislators and government employees aids the state auditor in conducting audits. Citizens are urged to contact the state auditor at the above address and telephone number if they have information they feel would be useful to auditors. All sources of information will be kept confidential.

State Agency Audits

The state auditor is responsible for auditing all state agencies, boards and commissions, as well as the state supreme court and all divisions of the circuit court system. In 1991, the state auditor issued 105 reports on state entities.

Audits noted instances where state agencies and entities could save money or where action would allow the state to realize additional revenue from outside funding sources. Other findings noted situations where procedures did not comply with agency regulations, state laws or the Missouri Constitution.

Following are some examples of the findings included in audit reports on state agencies and the court system.

DMH - Mid-Missouri Mental Health Center

The facility may be able to improve revenues and cost efficiency by consolidating with the University of Missouri Hospital and Clinics. With the consolidation, federal Medicaid guidelines would be met and the combined entity could receive as much as \$238,976 in additional Medicaid revenues.

Kansas City Desegregation Payments

The state auditor questioned costs totaling nearly \$13.2 million for the year ended June 30, 1989. The state's share of these questioned costs is \$9.3 million. For the year ended June 30, 1990, the state's share of questioned costs totaled \$2.9 million of \$4.5 million in total questioned costs.

23rd Judicial Circuit Jefferson County

The associate circuit court - division 12 maintained approximately \$60,000 of unsecured cash on hand. Division employees were using the daily cash receipts to cash personal checks. Also, \$10,914 in bonds more than one year old were being held by the division. The bond money, if unclaimed, should be turned over to the state's Unclaimed Property Section. Checks totaling \$13,635, which have been outstanding for more than a year, should be turned over to the state's Unclaimed Fees Fund if the payees cannot be located.

Missouri State Employees' Retirement System

The state auditor commended MOSERS for receiving a certificate of achievement for excellence in financial reporting by the Government Finance Officers Association. The award is given for annual reports by governmental entities that display compliance with generally accepted accounting principals and applicable legal requirements.

Jackson County Sports Complex Authority

The state auditor noted projections for new lease agreements with the Kansas City Royals baseball team and the Kansas City Chiefs football team indicated expenditures will exceed revenues and the agreements may create a total revenue shortfall of \$53 million over the 25-year terms of the leases for Royals and Arrowhead stadiums.

16th Judicial Circuit, Municipal Division Kansas City

Unclaimed bonds totaling \$473,763 were paid to the city but should have been paid to the state's Unclaimed Property Section. Also, old outstanding checks totaling \$2,097 were voided and added back to the bond account. This amount also should have been turned over to the Unclaimed Property Section.

State Lottery Commission

The costs of agreements for some of the sporting events sponsored by the Missouri Lottery were increased because of the inclusion of tickets. Three lottery employees used some of the tickets to attend a tour of the Indianapolis 500 Speedway during normal working hours without taking annual leave.

31st Judicial Circuit Municipal Divisions

Cash receipts of \$2,557 were stolen from the Springfield division, apparently by an outside party. Also, it was noted that the Springfield division has not adequately pursued collection of \$517,068 due the court.

Fraud Audits

Of the 180 audits issued by the state auditor in 1991, 13 contained findings related to fraud. Moneys identified as being fraudulently used totaled \$280,585.

The policy of the state auditor is to notify and cooperate with law enforcement authorities whenever auditors detect possible criminal activity. In some cases, audit findings have resulted in arrests and criminal charges being filed by law enforcement officials against individuals.

These fraud findings were reported in some cases as the result of routine audits by the state auditor. The state auditor also was requested in some cases to perform a special review as part of an investigation of possible fraudulent activity.

The detection of fraud is an area of emphasis members of the state auditor's staff receive in their annual professional training. It is an area that law enforcement in general is emphasizing. The state auditor's office appreciates the cooperation and assistance it receives from state and local law enforcement agencies in the investigation of fraud.

Following is information regarding some of the findings of fraud included in audits issued in 1991 by the state auditor.

Scott County Associate Circuit Court, Div. 5

While conducting a regular audit of Scott County, a cash shortage of \$60,644 was detected in the Associate Circuit Court, Division 5. Between June 1988 and Oct. 29, 1991, payments of traffic fines and court costs were recorded and receipts were issued, but the moneys were not deposited into the court's bank account and were not on hand.

The deputy clerk who maintained the accounting records was dismissed and felony stealing charges were filed against this individual by the prosecuting attorney.

State Agency for Surplus Property

A lack of sufficient accountability over surplus property and improper sales practices provided opportunities for the concealment of lost or stolen property. Throughout this audit, the state auditor's office provided information to the Missouri State Highway Patrol for its investigation. The former director of the SASP pleaded guilty to charges of mail fraud, theft of surplus property and filing false income tax

returns. He was sentenced to prison time, probation and was ordered to pay restitution of \$55,715.

24th Judicial Circuit City of Esther

Misappropriation of city money was discovered during a routine audit of the city's municipal court. The audit was expanded to other city receipts due to commingling of moneys. Total identified city receipts exceeded deposits to city bank accounts by \$29,764. Information gathered during the audit was turned over to the St. Francois County prosecuting attorney.

City of Billings

At least \$45,815 was misappropriated from April 1989 through November 1990. Of that amount, property taxes misappropriated totaled \$17,063. Moneys misappropriated from water and sewer payments totaled \$17,558 and municipal court receipts misappropriated totaled \$11,194. Evidence concerning the misappropriation was reported to the Christian County prosecuting attorney, and six counts of felony stealing were subsequently filed against the former city clerk, who resigned in January 1991.

Bollinger County Sheriff's Office

Weaknesses in the internal control system of the sheriff's department allowed the sheriff to misappropriate at least \$5,269 between January 1988 and July 1990. The moneys came from board of prisoner receipts, trustee fees, accident report fees, gun permits and miscellaneous receipts. A special prosecuting attorney was appointed to investigate the situation

Mid-Missouri Council of Governments

At least \$1,995 in cash receipts was misappropriated by a former executive director between October 1988 and January 1989. The misappropriations went undetected due to numerous control weaknesses, lack of segregation of duties, little or no independent review and a lack of adequate accounting records.

Petition Audits

The right of citizens to petition their government for a "redress of grievances" is one of the fundamental rights cited in the Missouri Constitution. The Revised Statutes of the State of Missouri also establish the right of citizens to petition the state auditor for an audit of any political subdivision.

In 1991, the state auditor's office issued 28 audit reports as the result of petitions signed and submitted by citizens. The reports included audits on school districts, cities, villages, a drainage district and a fire protection district.

State law dictates the state auditor audit any political subdivision of the state if enough qualified voters of the political subdivision request the audit.

Petition audits are conducted in addition to the regular audits performed by the state auditor. Following are some examples of the findings included in the petition audits issued in 1991.

City of Memphis

Between September 1988 and March 1990, the city paid \$37,853 to an oil company and service station owned by the mayor in office at the time. During the year ended August 31, 1989, the city paid \$7,514 to a construction company of which the spouse of the city clerk was part-owner. No bids were solicited for either of these expenditures. Also, due to lack of monitoring procedures for city farmland rental agreements, the city may have lost between \$975 and \$2,800 in revenues on corn acreage in 1989.

Village of Hillsdale

The village has approximately \$121,000 of delinquent trash collection fees and does not have penalties for late payment of trash collection fees.

Bosworth School District

The district's fund balance deteriorated from \$127,000 to a deficit balance of \$148,000 between 1988 and 1991.

City of Iron Mountain Lake

The city entered into a seven-year loan contract with an individual for \$30,000 without putting the matter to a vote of the taxpayers. This transaction violates the intent of the Missouri Constitution regarding legal indebtedness without a vote of the city taxpayers. Also, other than sending delinquency notices, the city had not, at Dec. 31, 1990, acted to collect delinquent real estate and personal property taxes of \$1,900 and \$800, respectively.

Lutie School District

The school board paid a board member's son and daughters \$15,230 for oversight and work on a classroom construction project and roof repair, a possible violation of the state's nepotism law. Also bid documentation was not obtained or retained for approximately \$183,000 in purchases.

City of Rocky Ridge

Motor vehicle-related revenues of \$3,700, which may only be expended on public roads, appear to have been expended on private roads.

Village of Breckenridge Hills

Actual expenditures exceeded budgeted expenditures by approximately \$55,082 in the village's General Revenue Fund. Also bid documentation was not retained for approximately \$60,000 in purchases.

City of Windsor

The city paid \$22,000 to the Windsor Chamber of Commerce, which appears to be a grant of public moneys to a private organization, in violation of the Missouri Constitution. Also, the city paid \$1,000 for a city telephone line to be installed at the former city administrator's home and \$200 annually for the city administrator's Lions Club membership dues.

County Audits

The Missouri State Auditor's Office is responsible for performing audits of all Missouri counties that do not have a county auditor. Currently, 94 of the state's 114 counties fall into that category.

In 1991, the state auditor issued audits of 36 counties, as well as three audits of individual county offices. State law requires the state auditor to audit a county collector's office whenever a vacancy occurs in office. In 1991, the state auditor reported on the collector's office in Holt County.

For the past 13 years, this office has issued an aggregate report on the 94 counties audited by the state auditor. The report includes financial statistics, assessed valuation, tax levies and bonded indebtedness for the counties and typical audit findings.

Following are typical findings from the 65 audits of Missouri 3rd class counties performed during the past two years.

Assessment Fund

In 60 counties, prior audit funding requirements were not resolved and various counties funded current assessment fund operations either more or less than statutorily required.

Associate Division Courts' Accounting Controls

Twenty-three of the associate division courts did not make bank deposits on a timely basis, did not prepare bank reconciliations, or were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records.

Bidding Procedures

Thirty-six counties did not bid purchases in accordance with Missouri law or did not document their actions in obtaining bids.

Budgetary Practices and Financial Position

Thirty-five counties had errors in the prior years' financial data presented in the budget documents. In addition, eight counties distorted their anticipated financial position by not showing all available resources at the beginning of the year, or by understating revenues or overestimating expenditures.

Circuit Clerks' Accounting Controls

Thirty circuit clerks audited did not make bank deposits on a timely basis, did not prepare bank reconciliations, or were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records.

Computer System Controls

Twelve county audits indicated that computer software and back-up disks were not stored at an off-site location and the counties lacked formal contingency plans. Several instances were also noted in which computer access controls were in need of improvement.

County Collectors' and Ex-officio County Collectors' Procedures

In 46 counties, collectors did not provide all required information on the annual settlements, did not reconcile bank records to monthly statements of collections, or did not keep accurate daily receipt ledgers.

County Collectors' and Ex-officio County Collectors' Commissions and Salary

Corrections were needed in 59 counties when comparing the actual salary paid to collectors with audited calculations. Commissions were over-retained or under-retained because they were not always computed in accordance with state statutes.

County Expenditures

Thirty-one audits revealed that documentation for payments was not always present or receipt of goods was not always noted on invoices. Some counties also made monetary donations in violation of state law. Written contracts were not prepared for 24 counties that provided and/or received goods or services.

County Property Records

Forty-nine counties did not keep a complete inventory of county real and personal property, and others did not update existing records on a current basis.

County Treasurers' Accounting Practices and Controls

Twenty-three treasurers did not make bank deposits on a timely basis and/or did not prepare adequate bank reconciliations. Some maintained an excessive number of bank accounts and some did not properly document transfers between accounts of the method used to allocate interest income.

Depository Agreements and Collateral Securities

Twenty-eight counties have not entered into formal depository agreements with their depository banks. The depository agreements that were in effect were not always specific in the services to be provided or the cost of those services. Counties did not require depository banks to pledge the proper amount of collateral security required by Missouri law.

Health Center Controls and Procedures

In 33 audits, we noted problems with health centers. Some allowed actual expenditures to exceed budgeted amounts and others did not present total resources available on the budget, thus reflecting an inaccurate picture of the health center's anticipated financial position. Personnel and payroll procedures were in need of improvement. General fixed assets records were sometimes inaccurate or incomplete and not maintained on a current basis.

Personnel Records

Fifty-one counties did not have written personnel policies. Many did not monitor annual and sick leave earned and taken by employees. Additionally, various counties did not maintain adequate records to support overtime in compliance with the Fair Labor Standards Act. Adequate and complete personnel files were not always maintained.

Probate Division Courts' Accounting Controls

Ten instances were noted in which the Probate Division Court did not make bank deposits on a timely basis and formal bank reconciliations were not prepared.

Prosecuting Attorneys' Accounting Controls

During a review of accounting controls, it was noted that 21 prosecuting attorneys did not maintain cash control ledgers, did not make bank deposits on a timely basis, or did not prepare monthly bank reconciliations. Receipt slips were not always issued for all moneys received. In addition, various prosecuting attorneys did not prepare monthly open-item listings.

Public Administrators' Settlements

In 27 counties, settlements were not always filed as required by Missouri law and some did not include all necessary information. Supporting documentation of settlement transactions was not available in some cases.

Recorder of Deeds' Controls and Procedures

Ten county reports showed that cash receipts are not always deposited daily nor reconciled to the fee book. In some counties documents are recorded for businesses prior to receipt of payment, and accounts receivable are not adequately documented.

Sales Tax

Fifteen counties had not rolled back their property tax levies sufficiently in relation to their sales tax collections.

Sheltered Workshops

Twenty-seven county sheltered workshops did not maintain adequate written contracts with the not-for-profit corporations from which services were obtained.

Sheriffs' Accounting Controls, Mileage Procedures and Boarding of Prisoners

Forty-six sheriffs' departments did not make bank deposits on a timely basis, did not prepare bank reconciliations, or were not reconciling cash balances to a listing of liabilities to prove the accuracy of their records. Fifteen instances were noted in which documentation of mileage claims was not always present and mileage reimbursement procedures were not always in accordance with state law. It was noted in 16 counties that expenditures made for the boarding of prisoners were not always adequately documented.

Statutory Salaries and Bond Coverage

It was noted in 55 counties that county officials received salaries totaling more or less than their statutory allowances, did not obtain bond coverage or did not have adequate bond coverage as required by state statutes.

Review of Property Tax Rates

Property taxes collected each year from Missourians provide a major source of funding for local governments. These taxes help finance the operation of our counties, cities, school districts, road districts, fire districts, ambulance districts, libraries and other important services.

The state auditor is required to review property tax rates of all taxing authorities in the state. In 1991, the state auditor's office reviewed 4,807 property tax rates, levied by 2,618 political subdivisions. The auditor's office reviewed the rates for compliance with state statutes and with Article X, Section 22 of the Missouri Constitution, otherwise known as the Hancock Amendment. Since the laws are subject to change by the legislature and to interpretation from the court system, the procedures for reviewing tax rates must be continually monitored.

Of the 4,807 tax rates reviewed in 1991, 22 were in excess of the legally permissible tax levy. Those rates, levied by 21 political subdivisions, were excessive by amounts ranging from one cent to 51 cents.

The opinion of the state auditor's office on tax rate compliance is an advisory opinion only. However, taxpayers who believe a local taxing authority has not complied with the laws regarding establishment of tax rates have recourse under state statutes.

According to the law, a taxpayer may make a formal complaint with the county prosecuting attorney. If the prosecutor fails to bring an action within 10 days of the filing of the complaint, the taxpayer may bring a civil action on his or her own behalf and as a representative of all taxpayers in the taxing jurisdiction.

The tables and charts on the following pages contain information regarding the tax rates reviewed by the state auditor's office in 1991.

<u>Type of Taxing Authority</u>	<u>Number of Tax Rates</u>				
	<u>Number of Taxing Authorities</u>	<u>Number of Tax Rates</u>	<u>With Increases In Assessed Valuation</u>	<u>With Decreases In Assessed Valuation</u>	<u>Other (1)</u>
Ambulance Districts	102	103	94	8	1
Hospitals and Health Centers	14	15	14	0	1
Nursing Home Districts	28	31	23	3	5
Public Water Supply Districts	1	1	1	0	0
Soil and Water Conservation Subdistricts	20	20	16	4	0
Drainage and Levee Districts	2	2	1	1	0
Special Road Districts	257	334	244	60	30
Municipalities	851	1588	1050	320	218
Tax Supported Public Libraries	82	84	76	8	0
Townships	324	851	648	189	14
Fire Protection Districts	207	319	238	38	43
Sewer Districts	33	34	26	7	1
Street Light Maintenance Districts	3	3	1	2	0
Miscellaneous	26	30	21	9	0
Junior Colleges	12	16	10	2	4
School Districts	541	904	507	48	349
Counties	<u>115</u>	<u>472</u>	<u>426</u>	<u>23</u>	<u>23</u>
Totals	<u>2618</u>	<u>4807</u>	<u>3396</u>	<u>722</u>	<u>689</u>

(1) This column includes those levies for which only the current year's assessed valuation was used in the computation of the 1991 tax rate (debt service levies and additional voter-approved levies where the public was notified that the voted rate was based on the current year's assessed valuation). This column also includes levies that were not certified in 1991 and/or 1990 due to insufficient substantiating data.

Missouri State Auditor's Office
Listing of Local Governments Levying
in Excess of Tax Rate Approved

*****1991*****

<u>County</u>	<u>Name</u>	<u>Purpose</u>	<u>Assessed Value</u>	<u>Approved</u>	<u>Levied</u>
Barry	Southwest Barry Co. R-V Sch. Dist.	Debt Service	11,804,435	0.160	0.500
Bollinger	Meadow Heights R-II Sch. Dist.	Debt Service	12,766,140	0.700	0.780
Camden	Mid County Fire Protection Dist.	General Revenue	63,207,845	0.000	0.300 *
Franklin	City of Washington	General Revenue	88,325,203	0.500	0.640
Gentry	Stanberry Fire Protection Dist.	General Revenue	12,608,533	0.100	0.150
Greene	Strafford R-VI School District	Operating Funds-Schools	28,593,040	2.600	2.670
Howell	Willow Springs R-IV School District	Debt Service	19,717,991	0.130	0.300
Jackson	City of Raytown	General Revenue	223,667,963	0.290	0.310
		Parks & Recreation	223,667,963	0.120	0.130
Johnson	Leeton R-X School District	Debt Service	6,428,120	0.620	0.850
Miller	Brumley Fire Protection District	General Revenue	13,878,212	0.000	0.300 *
	Tuscumbia Fire Fire Protection Dist.	General Revenue	6,355,445	0.000	0.300 *
Nodaway	Hoover Frankum Watershed Sub Dist.	General Revenue	1,319,130	0.300	0.400
	102 River Tributaries Sub Dist.	General Revenue	4,527,980	0.000	0.100
Ozark	Bakersfield R-IV School District	Debt Service	4,799,416	0.330	0.840
Putnam	Locust Creek Wwatershed Subdistrict	General Revenue	10,047,390	0.000	0.400 *
St. Charles	Wentzville R-IV School District	Operating Funds-Schools	315,863,618	2.550	2.700
St. Clair	Osceola School District	Debt Service	11,786,366	0.100	0.300
St. Louis	Eureka Fire Protection District	General Revenue	94,704,651	0.700	0.710
	Parkway C-2 School District	Operating Funds-Schools	2,282,986,668	2.820	2.850
Stone	Hurley Fire Protection District	General Revenue	4,331,024	0.000	0.300 *
Taney	Forsyth R-III School District	Debt Service	24,728,117	0.130	0.320

NOTE:

The "approved" column represents the rates determined to be legally permissible for a tax levy based upon the information submitted. An asterisk (*) is used to identify a political subdivision that has not received voter approval for a specific tax levy.

Summary of Tax Rate Revisions

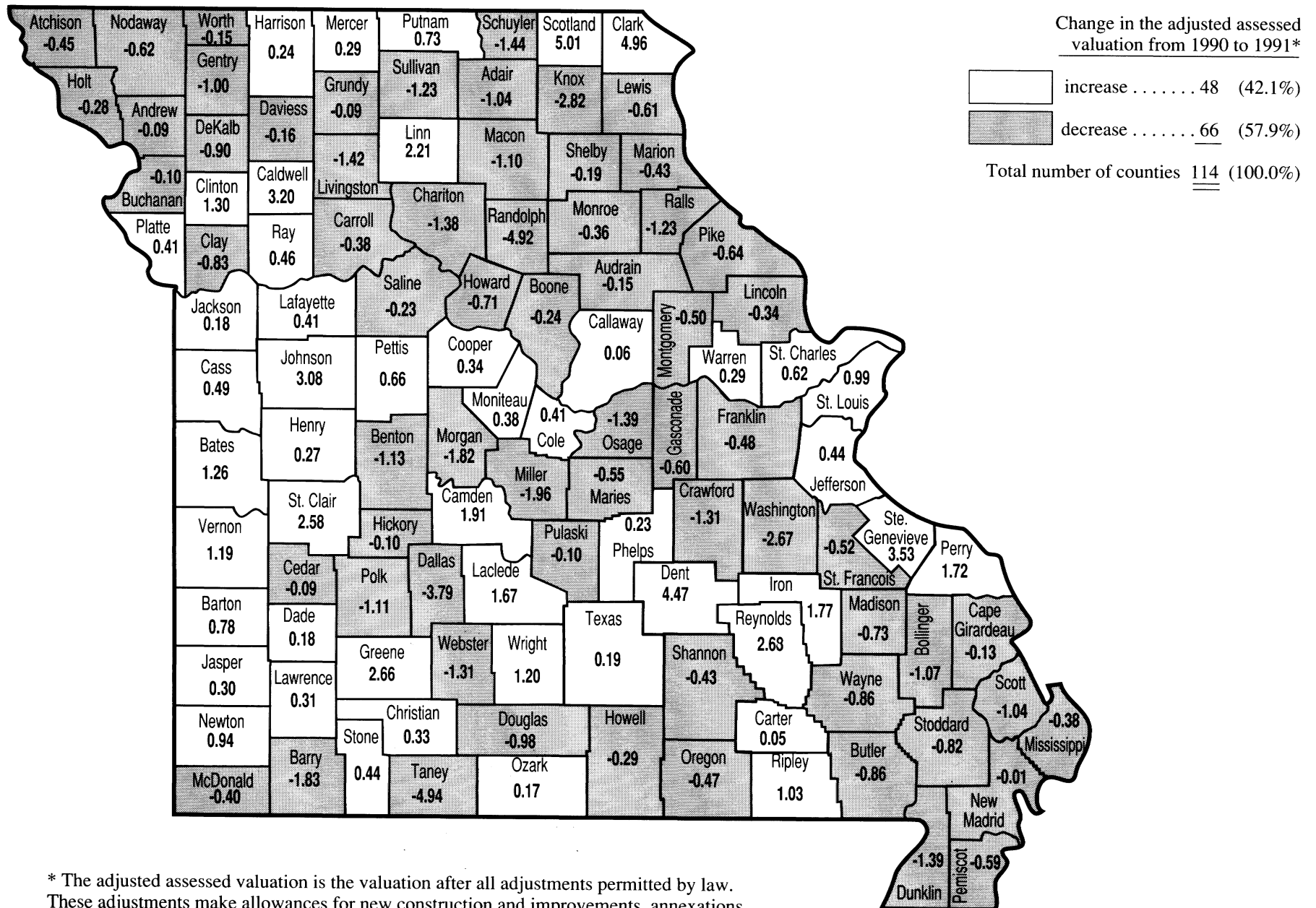
Rate Revision Due To

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Rates Same as Prior Year	Rates Revised Upward	Rates Revised Downward	Revised Due to An Election	Other (1)	Debt Service Levies	No Rate Certified
Ambulance Districts	102	103	78	20	0	4	1	0	0
Hospitals and Health Centers	14	15	11	3	0	0	0	1	0
Nursing Home Districts	28	31	13	13	0	0	0	5	0
Public Water Supply Districts	1	1	1	0	0	0	0	0	0
Soil and Water Conservation Subdistricts	20	20	17	2	1	0	0	0	0
Drainage and Levee Districts	2	2	2	0	0	0	0	0	0
Special Road Districts	257	334	158	118	7	0	45	5	1
Municipalities	851	1588	620	679	31	14	27	205	12
Tax Supported Public Libraries	82	84	44	35	0	4	1	0	0
20 Townships	324	851	451	246	15	2	123	14	0
Fire Protection Districts	207	319	208	54	7	6	16	25	3
Sewer Districts	33	34	20	12	1	0	0	1	0
Street Light Maintenance Districts	3	3	2	1	0	0	0	0	0
Miscellaneous	26	30	17	7	5	1	0	0	0
Junior Colleges	12	16	9	3	0	0	0	4	0
School Districts	541	904	96	378	35	44	2	348	1
Counties	115	472	224	208	3	2	18	17	0
Totals	2618	4807	1971	1779	105	77	233	625	17

(1) This column includes all newly-voted levies, levies voted to replace levies that expired, and all levies that were not certified in the prior year.

Exhibit C

Percentage Change in Adjusted Assessed Valuation from 1990 to 1991



Bond Registration

Under state law, the state auditor is responsible for reviewing and registering general obligation bonds issued by political subdivisions in Missouri to ensure those bonds comply with state law.

The review is to ensure that the political subdivision does not exceed its debt limit in issuing the bonds and that the bonds were legally authorized. Voter approval is needed for a political subdivision to incur debt beyond the current year.

In 1991, the state auditor's office registered 87 bond issues with a total value of \$498,884,000. Following is a listing of the political subdivisions that issued bonds, and the purpose and amount of the issue:

<u>Issuing Subdivision</u>	<u>Purpose</u>	<u>Amount</u>
City of Union Star, DeKalb County	Street Improvement	\$ 30,000
Lee's Summit R-VII School District, Jackson County	School Building	2,000,000
Ritenour School District, St. Louis County	School Building	10,000,000
Raymore-Peculiar R-II School District, Cass County	School Building	1,195,000
City of Urbana, Dallas County	Waterworks	55,000
City of Sturgeon, Boone County	Waterworks/Sewerage	220,000
City of Lake Saint Louis, St. Charles County	Refunding/Street Improvements	4,015,000
Marshfield R-I School District, Webster & Dallas Counties	Refunding/School Building	2,725,000
Windsor C-I School District, Jefferson County	School Building	200,000
Fort Zumwalt R-II School District, St. Charles County	School Building	4,500,000
City of Brentwood, St. Louis County	Street Improvement	2,500,000
Blue Springs R-IV School District, Jackson County	School Building	3,500,000
City of Kirkwood, St. Louis County	City Hall	1,025,000

City of Kirkwood, St. Louis County	Community Center	955,000
City of Kirkwood, St. Louis County	Public Works Facility	1,350,000
City of Kirkwood, St. Louis County	Public Health and Safety	1,670,000
Columbia 93 School District, Boone County	School Building	5,000,000
Seneca R-VII School District, Newton County	Refunding	920,000
Raytown C-2 School District, Jackson County	School Building	\$ 15,000,000
City of O'Fallon, St. Charles County	Storm Drainage	1,500,000
Ste. Genevieve County R-II School District	School Building	3,500,000
Dallas County R-I School District	Refunding	2,416,000
Golden City R-III School District, Barton County	School Building	320,000
Francis Howell R-III School District, St. Charles County	School Building	16,900,000
Springfield R-XII School District, Greene County	Refunding/School Building	31,100,000
Springfield R-XII School District, Greene County	Refunding/School Building	2,765,000
Hermitage R-IV School District, Hickory County	School Building	1,330,000
Hickman Mills C-1 School District, Jackson County	School Building	4,750,000
Goldman Fire Protection District (FPD), Jefferson County	Fire Protection	300,000
Osborn R-O School District, DeKalb and Clinton Counties	School Building	350,000
City of Peerless Park, St. Louis County	Waterworks/Sewerage	545,000
Lutie R-VI School District, Ozark County	School Building	550,000
Jefferson City School District, Cole and Callaway Counties	School Building	10,000,000
Smithville R-II School District, Clay, Platte and Clinton Counties	School Building	3,100,000
Cameron R-I School District, Clinton, DeKalb, Daviess & Caldwell Counties	School Building	3,000,000
Lawson R-XIV School District, Ray County	School Building	2,425,000

Ozark R-VI School District, Christian County	School Building	4,675,000
Atchison County	Refunding	630,000
City of New Bloomfield, Callaway County	Street Improvement	\$ 100,000
City of Farmington, St. Francois County	Police Station	1,000,000
Rockwood R-VI School District, St. Louis County	School Building	40,000,000
Blackburn/Elmwood Road District, Saline County	Road and Bridge	150,000
City of Hollister, Taney County	Waterworks/Sewerage	350,000
City of New Florence, Montgomery County	Waterworks/Sewerage	70,000
Mid-Buchanan County R-V School District	Refunding	855,000
City of Canton, Lewis County	City Hall	60,000
Normandy School District, St. Louis County	School Building	2,000,000
Village of Merriam Woods, Taney County	Waterworks	143,000
City of Fair Grove, Greene County	Sewer System	350,000
Kirkville R-III School District, Adair County	Refunding/School Building	5,100,000
Mexico 59 School District, Audrain County	School Building	3,600,000
Hillsboro R-III School District, Jefferson County	Refunding	3,445,000
South Harrison County R-II School District	School Building	600,000
Columbia 93 School District, Boone County	School Building	5,000,000
Festus R-VI School District, Jefferson County	School Building	2,750,000
Park Hill R-V School District, Platte County	School Building	8,250,000
Lathrop R-II School District, Clinton County	School Building	1,200,000
Independence 30 School District, Jackson County	School Building	12,750,000
State of Missouri, State Water Pollution, Series A, 1991	Water Pollution Control	\$ 35,000,000
City of Gladstone, Clay County	Street Improvement	3,000,000

City of Ozark, Christian County	Fire Station & Equipment	250,000
City of Spickard, Grundy County	Sewerage System	75,000
City of Houston, Texas County	Waterworks/Sewerage	550,000
City of Velda City, St. Louis County	Streets & Storm Sewers	500,000
City of Mindenmines, Barton County	Waterworks/Sewerage	40,000
City of Blue Springs, Jackson County	Improvement/Refunding	4,995,000
Odessa R-VII School District, Lafayette County	School Building	1,400,000
City of Webster Groves, St. Louis County	Street Improvement	3,000,000
City of St. Charles, St. Charles County	Park Improvement	4,900,000
North Kansas City 74 School District, Clay & Platte Counties	School Building	5,000,000
Grain Valley R-V School District, Jackson County	School Building	900,000
Riverview Gardens School District, St. Louis County	School Building	750,000
Pattonville R-III School District, St. Louis County	Refunding	6,700,000
City of Olympian Village, Jefferson County	Street Improvement	250,000
Central Cass County FPD, Cass County	Fire Protection	150,000
Lemay FPD, St. Louis County	Fire Protection	1,500,000
Hazelwood School District, St. Louis County	School Building	5,000,000
Jefferson City School District, Cole County	School Building	9,500,000
State of Missouri, Third State Building, Series A, 1991	Refunding	34,870,000
State of Missouri, Third State Building, Series B, 1991	Refunding	71,955,000
State of Missouri, State Water Pollution, Series B, 1991	Refunding	17,435,000
State of Missouri, State Water Pollution, Series C, 1991	Refunding	\$ 33,575,000
Raytown C-2 School District, Jackson County	School Building	13,500,000
City of Parkville, Platte County	Sewerage System	500,000
City of Osage Beach, Camden & Miller Counties	Highway Improvement	3,500,000

Lee's Summit R-VII School District, Jackson County	School Building	3,000,000
Consolidated North County Levee District, St. Charles County	Levee District Improvement	<u>2,300,000</u>
		<u>\$498,884,000</u>